

Message Text

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INFO OCT-01 ISO-00 EUR-12 IO-13 SSM-03 ACDA-12 OMB-01

TRSE-00 CIAE-00 DODE-00 PM-05 H-01 INR-10 L-03

NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11 A-01

OPR-02 SY-05 OC-06 CCO-00 EB-08 /127 W

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 7694

INFO AMCONSUL ALEXANDRIA

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C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 10231

E.O. 11652: GDS

TAGS: PINT ECON EG

SUBJECT: RIGHTIST LEADER GLOOMY ON DOMESTIC PROSPECTS

SUMMARY: MURAD CLAIMS INTERNAL SITUATION VERY DANGEROUS; INFLATION CAUSING EXTRAORDINARY DIFFICULTIES, AND REPEAT JANUARY 1977 RIOTS POSSIBLE. KAISOUNI'S ECONOMIC POLICY SAID TO HAVE FAILED. SADAT UNINFORMED. WHILE HE HAS UNDOUBTEDLY OVERSTATED CASE, AS OPPOSITION LEADER, THERE NO DOUBT EGYPTIAN PUBLIC FACING SEVERE ECONOMIC DIFFICULTIES WHICH GOVERNMENT MUST CONFRONT OR FACE UNPALATABLE ALTERNATIVES. END SUMMARY.

1. SPEAKING TO EMBOFFS APRIL 6 LEADER RIGHT WING SOCIAL-IST LIBERAL PARTY MUSTAFA KAMEL MURAD CLAIMED INTERNAL SITUATION HAS BECOME "VERY DANGEROUS." PRICE INCREASES THIS YEAR MOST DRAMATIC IN EGYPTIAN HISTORY. HE, AND OTHERS, HAD PREDICTED THAT INFLATION WOULD RUN APPROXIMATELY 30-35 PERCENT THIS YEAR AS RESULT GOVERNMENT'S DEFICIT FINANCING. KAISOUNI, HE CHARGED, HAD LEFT 25 PERCENT OF CURRENT BUDGET UNCOVERED BY ANY RESOURCES OTHER THAN SHORT TERM NOTES AND INCREASED MONEY SUPPLY. CONFIDENTIAL

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2. SHORTAGES. COUPLED WITH ABOVE, HE OBSERVED, IS FACT THAT MANY COMMODITIES HAVE DISAPPEARED FROM MARKET. BASIC STAPLES OF EGYPTIAN DIET ARE NO LONGER AVAILABLE AT PRICES PEOPLE CAN PAY. MURAD HAD JUST RETURNED FROM ALEXANDRIA WHERE, HE CLAIMED, PEOPLE ARE QUEUING FOR HOURS TO OBTAIN ONIONS AND BREAD AT CONTROLLED PRICES.

SOME, HE MAINTAINED, ARE KEEPING CHILDREN OUT OF SCHOOL IN ORDER TO SECURE PLACE ON LINE. ONLY COMMODITIES AVAILABLE, HE SAID, ARE BEING OFFERED AT PRICES "ONLY RICH CAN AFFORD." HE POINTED TO READILY AVAILABLE IMPORTED APPLES SELLING AT LE 4 PER KILO AS MOST EGREGIOUS EXAMPLE.

3. IMPORTS. FURTHER COMPOUNDING DIFFICULTIES, ACCORDING MURAD, IS KAISOUNI'S TRANSFER OF ALL INDUSTRIAL IMPORTS TO PARALLEL RATE AT WHICH THEY ALSO BEING TAXED. THIS HAS INCREASED COST OF PRODUCTION TO POINT WHERE MANY ENTERPRISES NO LONGER ABLE SHOW PROFIT.

4. LEFTISTS. MURAD CLAIMED GOVERNMENT DOES NOT APPEAR TO REALIZE THAT THEY ARE PROVIDING LEFTIST WITH AMMUNITION. THEY ABLE TO GO AROUND COUNTRY TELLING PEOPLE GOVERNMENT CONCERNED SOLELY WITH WEALTHY. "WHERE ARE THE HOUSES? WHERE ARE THE SUPPLIES? WHERE ARE THE JOBS? WHERE IS THE FOOD?" THE GOVERNMENT CAN NOT ANSWER THESE QUESTIONS AND, HE CONCLUDED, WHAT THE LEFTISTS TO THE PEOPLE ARE SAYING "IS TRUE."

5. SHEIKH ASHUR. ONE OF THE REASONS FOR MURAD'S TRIP TO ALEXANDRIA WAS TO INVESTIGATE POSSIBILITY FOR HIS PARTY SEEKING SEAT OF RECENTLY OUSTED MP SHEIKH ASHUR. HE DISCOVERED THAT ASHUR'S POPULARITY HAS INCREASED
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DRAMATICALLY FOLLOWING HIS ASSAULT ON GOVERNMENT PRICE AND SUPPLY POLICIES. MURAD IS CONVINCED NO ONE CAN WIN ASHUR'S GUMRUK CONSTITUENCY WITHOUT HIS BLESSING. ASHUR, HE MAINTAINED, TOUCHED ON VERY RAW NERVE WHEN HE ATTACKED AREA IN WHICH GOVERNMENT HAS DEMONSTRATED SUCH LIMITED EFFECTIVENESS.

6. DANGER. MURAD OPINED DANGER OF RENEWED STREET VIOLENCE IS HIGH. SAID SADAT DOES NOT APPEAR TO RECOGNIZE THIS AND IGNORES PARLIAMENTARIANS' REQUESTS THAT HE COME TO PEOPLES ASSEMBLY TO HEAR JUST HOW BAD THINGS REALLY ARE. HE PLACED MOST OF BLAME FOR SITUATION ON PM SALEM AND DEPUTY PM KAISOUNI. ECHOING LONG HELD SENTIMENT, HE MAINTAINED, SALEM HAS "ABSOLUTELY NO POLITICAL SENSE", WHILE KAISOUNI DOES NOT UNDERSTAND PRACTICAL ECONOMICS. BOTH MUST GO. UNLESS SITUATION REVERSED, AND SOON, MURAD THOUGHT IT POSSIBLE EGYPT WOULD FACE REPLAY OF JANUARY 1977 RIOTS ONLY THIS TIME HE FELT THEY WOULD BE FAR MORE SERIOUS--"IN COMPARISON 1977 WILL LOOK LIKE NOTHING."

7. COMMENT: WHILE MURAD OFTEN EXPRESSES OPPOSITION SENTIMENTS WELL, HE ALSO TENDS TO PLAY LOOSE WITH HIS

ECONOMIC FACTS. MANY OF HIS CRITICISMS OF KAISSOUNI
ARE OF FACETS OF ECONOMIC POLICY NECESSARY TO BRING
ABOUT BASIC REFORMS IN ECONOMIC STRUCTURE OF EGYPT.
MURAD, OF COURSE, HAS THE LUXURY OF BEING WITHOUT RES-
PONSIBILITY IN THIS VERY DIFFICULT FIELD. THIS NOT-
WITHSTANDING, GOVERNMENT MUST BE CAREFUL TO BALANCE NEED
FOR ECONOMIC REFORM WITH POLITICAL REALITY. SALEM
GOVERNMENT PROVED INCAPABLE OF RECOGNIZING FACT THAT ITS
JANUARY 1977 REFORMS WERE TOO MUCH TOO SOON. FACT THAT
MANY OF THOSE REFORMS HAVE BEEN IMPLEMENTED WITHOUT

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C O N F I D E N T I A L SECTION 02 OF 02 CAIRO 10231

PROTEST UNTIL VERY LATELY MAY INDICATE THEY HAVE SUCCEEDED
IN REFORM WITHOUT POLITICAL RISK. THERE ARE, HOWEVER,
INDICATIONS OF CAUSES FOR ALARM, AS MURAD POINTS OUT, AND
WE HOPE THAT PRESIDENT AND CABINET ARE TUNED TO DIFFERENCE
BETWEEN INEVITABLE BUT MANAGEABLE COMPLAINTS ABOUT
RISING PRICES AND REAL THREAT TO STABILITY. EILTS

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